Our Directors confirm that the following transactions, will constitute continuing connected transactions for us under Chapter 14A of the Listing Rules.

(A) Continuing connected transactions which are subject to the reporting, announcement and independent shareholders' approval requirements

1. *Distribution Agreement with Sany Development*

On 5 November 2009, Sany Heavy Equipment entered into a distribution agreement (the "**Distribution Agreement**") with Sany Development, pursuant to which Sany Development agreed to be responsible for the sales of Sany Heavy Equipment's products outside China and to locate marketing representatives in Russia, South Africa, India and Ukraine to be responsible for distributing certain coal mining machineries manufactured by Sany Heavy Equipment to customers in such countries for a term of two years commencing from 1 January 2009 to 31 December 2010.

Pursuant to the Distribution Agreement, Sany Development will provide after-sales services which include on-site installation and assembly of products and on-site maintenance and inspection services to customers in Russia, South Africa, India and Ukraine. Sany Heavy Equipment shall provide product technical training courses in China, and repair and maintenance support via telephone or video conference to technical staff of Sany Development so as to facilitate Sany Development's after-sales services. At the expense of and upon request by Sany Development, the technical specialists of Sany Heavy Equipment will provide on-site repair assistance to Sany Development in Russia, South Africa, India and Ukraine in the event that Sany Development encounters technical problems which cannot be resolved by itself. In addition, all after-sales costs will be borne by Sany Development.

Prices of the products that are supplied by Sany Heavy Equipment to Sany Development under the Distribution Agreement are determined at a pre-agreed discount rate of approximately 10% to the standard retail prices charged by Sany Heavy Equipment, and such level of discount is negotiated on an arm's length basis. Such discount is provided to Sany Development in consideration of Sany Development's agreement to bear all costs associated with the distribution and sale of Sany Heavy Equipment's products to customers in Russia, South Africa, India and Ukraine. Given that (i) Sany Development has agreed to bear the overseas shipping costs for the delivery of Sany Heavy Equipment's products to Russia, South Africa, India and Ukraine and will be responsible for after-sales services to the customers in such countries, and (ii) the distribution arrangement under the Distribution Agreement will facilitate Sany Heavy Equipment's entrance into the international market, our Directors consider such level of discount offered by Sany Heavy Equipment to Sany Development to be fair and reasonable to our Group.

There were no historical transactions of a similar nature with Sany Development prior to 1 July 2009. Our Directors estimate that the maximum amount of sales (excluding VAT) payable by Sany Development to Sany Heavy Equipment under the Distribution Agreement for each of the two years ending 31 December 2010 will not exceed RMB4,770,000 and RMB56,850,000, respectively. Such estimate is based on the amount of purchase orders placed by customers since July 2009, which is expected to be included in our sales towards the end of 2009 and/or the first half of 2010, the projected sales order to be placed by customers in Russia, South Africa, India and Ukraine in the second half of 2009 and the first half of 2010 and the anticipated increase in demand of our Group's products in emerging markets such as Russia, South Africa, India and Ukraine, which is expected to be in line with our Group's expectation for its future growth in turnover and production volume taking into account the commencement of operation of our Group's new production facilities and related infrastructure in Shenyang Economic and Technological Development Area from 2009 to 2010. As at 30 September 2009, the total amount of purchase orders placed by customers, which is expected to be included in our sales towards the end of 2009, amounted to approximately RMB3,641,000, representing approximately 76.3% of the annual cap amount for the year ending 31 December 2009. The estimated annual cap for sales by Sany Heavy Equipment to Sany Development for the year ending 31 December 2010 is expected to increase substantially from that in 2009. As at 30 September 2009, the total amount of purchase orders placed by customers, which is expected to be included in our sales towards the first half of 2010, amounted to approximately RMB33,078,000, representing approximately 58.2% of the annual cap amount for the year ending 31 December 2010. The expected increase is mainly due to the anticipated increase in sales of Sany Heavy Equipment's products after Sany Heavy Equipment's entry into the international market, with reference to the amount of purchase orders placed by customers since July 2009 and our Group's development plan in the coming years, which as supported by the actual sales to Sany Development as at the Latest Practicable Date was closely in line with the estimate of the sales amount by Sany Heavy Equipment to Sany Development for the year ending 31 December 2009. Our Directors believe the demand for Sany Heavy Equipment's products in international market in 2010 will continue to increase, the sales of which is expected to be in line with our Group's expectation for its future growth in turnover and production volume.

Sany Development is wholly-owned by Sany Heavy Industry, an associate of our Controlling Shareholders, and is therefore a connected person of our Company under the Listing Rules.

Sany Development is principally engaged in the business of distribution of heavy equipment and machinery. With a view to expanding our Group's overseas distribution business and notwithstanding that we can procure an independent third party to distribute the coal mining machineries manufactured by Sany Heavy Equipment, our Directors believe that the continuous distribution by Sany Development of such machineries would benefit our Group for the following reasons:

(i) given that Sany Development has already set up branch office at selected overseas locations to facilitate overseas distribution and in view of Sany Development's accumulated experience in overseas distribution, the engagement of Sany Development as a distributor will enable Sany Heavy Equipment to save operating costs for maintaining a presence or branch office in overseas countries, and provides Sany Heavy Equipment with an excellent management platform and strong overseas distribution network, which would facilitate Sany Heavy Equipment's access to the international market;

(ii) credit risk is also reduced with Sany Development as a distributor; and

(iii) it would save our Company from committing significant resources in developing these overseas markets.

Since each of the percentage ratios (other than the profits ratio) for the Distribution Agreement is expected to be more than 2.5%, the transactions under the Distribution Agreement constitute continuing connected transactions for our Company which are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. *Purchase of parts and components, and pumps from the SG Group*

On 5 November 2009, our Company entered into a master agreement (the "**Master Purchase Agreement**") with Sany Group, pursuant to which our Company agreed to purchase or procure its subsidiaries to purchase from members of the SG Group certain parts and components (including fuel tanks and electric motors) and pumps produced by members of the SG Group for the production of our products for a term of two years commencing from 1 January 2009 to 31 December 2010.

The price for the parts and components, and pumps supplied by members of the SG Group will be determined on the following basis in order of priority:

- the price prescribed by the State (including any price prescribed by any relevant local authorities), if applicable;
- the price recommended under the State pricing guidelines, when no State-prescribed price is available;
- the market price, when neither the State-prescribed price nor the State recommended price is available; or
- the price which is no less favourable to our Group than is available from independent third parties, when none of the above is available or applicable.

Our Group has been purchasing parts and components from members of the SG Group for the manufacture of its products since 2007. Our Group only started purchasing pumps, which are not the key raw materials for our production, from Sany Heavy Industry in 2008 and it is currently the only supplier of pumps to our Group. We purchase parts and components, including fuel tank and electric motors, from independent third party suppliers, as well as from the SG Group. For each of the two years ended 31 December 2008 and the six months ended 30 June 2009, the total purchases by our Group from members of the SG Group amounted to approximately RMB2,746,000, RMB28,343,000 and RMB34,366,000, respectively. The increase in the amount of parts and components, and pumps purchased by our Group from members of the SG Group since 2007 was in line with the expansion in our Group's production, mainly due to the significant increase in market demand for parts and components, and pumps for the production of our Group's coal mining related products in 2007 and 2008.

Our Directors estimate that the maximum amount of annual purchases by our Group from members of the SG Group under the Master Purchase Agreement for each of the two years ending 31 December 2010 will not exceed RMB132,700,000 and RMB105,281,000, respectively. The estimated annual cap for the purchases of parts and components, and pumps of our Group from members of the SG Group is expected to increase significantly from that in 2008 based on the anticipated continuous increase in market demand for our Group's products in the coming years. Such estimate is based on the historical amount of parts and components, and pumps purchased, the prevailing market price for such parts and components, and pumps in the open market in China, and the expected future growth in the turnover taking into account the anticipated increases in the purchase orders to be placed by customers pursuant to the Distribution Agreement and the Sale Agreement, and production volume of our Group taking into account the commencement of operation of our Group's new production facilities and related infrastructure in Shenyang Economic and Technological Development Area from 2009 to 2010. As at 30 September 2009, the total amount of purchase orders placed by our Group from members of the SG Group amounted to approximately RMB97,080,000, representing approximately 73.16% of the annual cap amount for the year ending 31 December 2009. The annual cap amount for the year ending 31 December 2009 is expected to represent approximately 12% of the total cost of sales of our Group for the year ending 31 December 2009. In view of the increases in the amount of purchases by our Group from members of the SG Group from 1 July 2009 up to the Latest Practicable Date and that part of our Group's new production facilities and related infrastructure in Shenyang Economic and Technological Development Area will commence operation in end of 2009, it is expected that the total amount of purchases by our Group from members of the SG Group in the second half of 2009 will increase significantly as compared to that in the first half of 2009. Given that (i) our Group currently has independent access to suppliers and relevant parts and components supplied by the SG Group are generally and widely available in the market at comparable market prices; and (ii) our Group will commence its own production of fuel tanks in 2011, it intends to gradually reduce the purchasing of parts and components, and pumps from the SG Group in the coming years.

Sany Group is owned as to 58.24% by Mr. Liang Wengen, one of our Controlling Shareholders, and is therefore a connected person of our Company under the Listing Rules.

Our Group is capable of carrying on its business independently of the SG Group as it can easily procure the parts and components supplied by members of the SG Group from independent third parties. Our Directors believe that the purchases of the parts and components, and pumps from members of the SG Group would benefit our Group for the following reasons:

(i) the purchases from members of the SG Group will be at competitive prices not less favourable than those that our Group can obtain from independent third parties;

(ii) members of the SG Group are familiar with our Group's specifications, standards and requirements and our Group is confident on the quality of the parts and components, and pumps supplied by members of the SG Group;

(iii) our Directors consider that it is crucial for our Group to maintain the stability in supply and quality of the parts and components, and pumps for our existing and future production needs. In view of our past purchasing experience with certain members of the SG Group, our Directors are of the view that the SG Group can effectively fulfil our high requirement in supply stability as well as product quality; and

(iv) the SG Group has provided our Group more favourable terms such as flexible and timely delivery schedule of the parts and components and pumps purchased by our Group.

The Master Purchase Agreement is a framework agreement which provides the mechanism for the operation of the connected transactions described therein. It is envisaged that from time to time and as required, individual agreements may be required to be entered into between our Group and relevant members of the SG Group. Any individual agreement to be entered into with Sany Heavy Industry and its subsidiaries, where applicable, is subject to the shareholders' approval of Sany Heavy Industry as required by the listing rules of Shanghai Stock Exchange.

Each individual agreement will set out the specific equipment requested by members of the Group and any detailed specifications which may be relevant to those purchases. The individual agreements may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the Master Purchase Agreement. As the individual agreements are simply further elaborations on the purchases as contemplated by the Master Purchase Agreement, they do not constitute new categories of connected transactions as far as Listing Rules are concerned.

Since each of the percentage ratios (other than the profits ratio) for the Master Purchase Agreement is expected to be more than 2.5%, the transactions under the Master Purchase Agreement constitute continuing connected transactions for our Company which are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

3. *Sale of equipment under finance lease arrangements to Kangfu International*

On 5 November 2009, Sany Heavy Equipment entered into an equipment sale agreement (the "**Sale Agreement**") with Kangfu International, pursuant to which Sany Heavy Equipment agreed to sell equipment to Kangfu International for a term of two years commencing from 1 January 2009 to 31 December 2010. Kangfu International is a finance company engaged in the business of providing finance leases. Sany Heavy Equipment has entered into tripartite financing arrangements with Kangfu International and some of Sany Heavy Equipment's end-customers on a back-to-back basis. Under such arrangements, Kangfu International enters into a sale and purchase agreement with Sany Heavy Equipment after Sany Heavy Equipment secures an end-customer, while at the same time entering into a finance lease agreement with such end-customer. Upon purchasing the equipment from Sany Heavy Equipment, Kangfu International will sell the equipment to such end-customer at cost and interest will be charged to such end-customers by Kangfu International under the finance lease agreement. There is no arrangement between Sany Heavy Equipment and the end-customers or Kangfu International to provide sales discounts to the end-customers if they are to use Kangfu International's finance lease services, and Sany Heavy Equipment's end-customers are free to choose other finance lease service providers if they wish to do so. The sale and purchase agreement and the finance lease agreement are inter-conditional and form an integral part of the tripartite financing arrangements. Under such tripartite financing arrangements, there will not be any goods return arrangement if any of Sany Heavy Equipment's end-customers fails to repay the finance lease instalments, whether or not they choose Kangfu International or any other finance lease service providers. As advised by our PRC legal advisers, the tripartite financial arrangements under the Sale Agreement is lawful under the PRC laws and regulations.

The price of the equipment sold by Sany Heavy Equipment to Kangfu International will be based on prices and terms which are no less favourable for products sold or to be sold to independent third parties.

Sany Heavy Equipment has only started selling equipment to Kangfu International in 2007. For each of the two years ended 31 December 2008 and the six months ended 30 June 2009, the total sales by Sany Heavy Equipment to Kangfu International amounted to approximately RMB5,470,000, RMB159,327,000 and RMB97,874,000, respectively.

Our Directors estimate that the maximum amount of sales by Sany Heavy Equipment to Kangfu International under the Sale Agreement for each of the two years ending 31 December 2010 will not exceed RMB559,710,000 and RMB321,830,000, respectively . Such estimate is based on the historical amount of equipment sold, in particular, with reference to the figures for the six months ended 30 June 2009, the amount of purchase orders placed by customers and recognised in the accounts of our Group as at 31 October 2009, which amounted to approximately RMB461,210,000 as at 31 August 2009, representing approximately 82.4% of the annual cap amount for the year ending 31 December 2009, the expected increases in demand for our equipment that would be sold under a finance lease arrangement in China, the selling price of the products sold by Sany Heavy Equipment under the Sale Agreement, and the projected growth in turnover of our Group's business over the two financial years ending 31 December 2010 taking into account the expected increase in sales of our Group's products as a result of the commencement of operation of our Group's new production facilities and related infrastructure in Shenyang Economic and Technological Development Area from 2009 to 2010. Based on the amount of purchase orders placed by customers as at 31 October 2009, an amount of RMB129,281,000, representing approximately 40.2% of the annual cap amount for the year ending 31 December 2010, is expected to be recognised in the accounts of our Group in 2010. The estimated annual caps for sales by Sany Heavy Equipment to Kangfu International for the two years ending 31 December 2010 are expected to increase substantially from that in 2008. The expected increase is mainly due to the anticipated increase in demand for Sany Heavy Equipment's product and sales of Sany Heavy Equipment's products with higher product selling price to Kangfu International pursuant to the tripartite financing arrangements, which as supported by the actual sales to Kangfu International as at the Latest Practicable Date was closely in line with the estimate of the sales amount by Sany Heavy Equipment to Kangfu International for the year ending 31 December 2009. Sany Heavy Equipment has entered and will continue to enter into finance lease arrangement with other independent finance lease service providers. Going forward, Sany Heavy Equipment will gradually reduce the finance lease arrangement with Kangfu International.

We believe the sale of the equipment to Kangfu International would benefit our Group for the following reasons:

(a) Kangfu International is principally engaged in the business of providing finance leases. Our sale of equipment to Kangfu International would expand our market as it would allow customers who, alone, lack the financial resources at the time of the sale to purchase our equipment but would be able to do so under a finance lease arrangement with Kangfu International; and

(b) any credit risk is eliminated.

Kangfu International is owned as to 75% by Sany Group, an associate of our Controlling Shareholders, and is therefore a connected person of our Company under the Listing Rules. None of Sany Heavy Equipment's end-customers are connected persons of our Group or Kangfu International.

Since each of the percentage ratios (other than the profits ratio) for the Sale Agreement is expected to be more than 2.5%, the transactions under the Sale Agreement constitute continuing connected transactions for our Company which are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

4. *Provision of procurement services by Sany Heavy Industry*

On 5 November 2009, our Company entered into a purchasing agency agreement (the "**Purchase Agency Agreement**") with Sany Heavy Industry, pursuant to which Sany Heavy Industry has agreed to purchase certain raw materials, and parts and components including steel plates, electronic products, speed-reducing machines, motors and back driver axle from overseas third party suppliers, which will then be resold to our Group at cost, for a term of two years commencing from 1 January 2009 to 31 December 2010. In consideration of such service, our Company has agreed to pay or procure its subsidiaries to pay a management fee of 0.5% of such cost to Sany Heavy Industry. The management fee payable under the Purchase Agency Agreement has been arrived at after arm's length negotiations, is no less favourable to the Company than those offered to independent third parties and is determined on terms comparable to the prevailing market rate and practice.

Sany Heavy Industry has been reselling raw materials, and parts and components, which it has procured from overseas third party suppliers, to our Group since 2007. For each of the two years ended 31 December 2008 and the six months ended 30 June 2009, the aggregate purchasing amounts paid by our Group (including management fees) to Sany Heavy Industry for the purchase of the raw materials, and parts and components were approximately RMB8,366,000, RMB36,313,000 and RMB16,039,000, respectively.

Our Group is able to source raw materials, and parts and components directly from overseas third party suppliers or through other alternative purchasing agents and our Group will start sourcing raw materials, and parts and components from overseas third party suppliers through other independent third party purchasing agents in the second half of 2010. Our Group intends to reduce the procurement of overseas raw materials, and parts and components through Sany Heavy Industry gradually in the coming years. Our Directors believe that since our Group is able to source raw materials, and parts and components directly from overseas third party suppliers and there are alternative purchasing agents available in the market, our Group is able to operate independently of the SG Group in this regard.

Our Directors estimate that the maximum purchasing amount (together with the management fees) to be paid by our Group to Sany Heavy Industry under the Purchase Agency Agreement for each of the two years ending 31 December 2010 will not exceed RMB61,700,000 and RMB35,000,000, respectively. Such estimate is based on the historical transaction values between our Group and Sany Heavy Industry, the demand of such raw materials, and parts and components to satisfy our Group's anticipated production volume based on its production expansion plans.

Our Directors believe that the purchase of raw materials, and parts and components from overseas third party suppliers through Sany Heavy Industry would benefit our Group as Sany Heavy Industry is able to source the raw materials, and parts and components at a more favourable prices for bulk purchasing and owing to Sany Heavy Industry's long term and close business relationship with most of the overseas third party suppliers.

Sany Heavy Industry is owned as to 60.73% by Sany Group, an associate of our Controlling Shareholders, and is therefore a connected person of our Company under the Listing Rules. Any individual agreements to be entered into with Sany Heavy Industry and its subsidiaries, where applicable, is subject to the shareholders' approval of Sany Heavy Industry as required by the listing rules of Shanghai Stock Exchange.

Since each of the percentage ratios (other than the profits ratio) for the Purchase Agency Agreement is expected to be more than 2.5%, the transactions under the Purchase Agency Agreement constitute continuing connected transactions for our Company which are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(B) Continuing connected transactions which are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement

5. *Mutual Supply Agreement with Sany Group*

On 5 November 2009, our Company entered into a mutual supply agreement (the "**Mutual Supply Agreement**") with Sany Group, pursuant to which our Company has agreed to supply or procure members of our Group to supply raw materials which are expected to be not required by our Group but required by the SG Group for its production, including steel plates, electronic products, speed-reducing machines, motors and front and back driver axle to the SG Group, and Sany Group has agreed to supply or procure members of the SG Group to supply raw materials which are expected to be not required by the SG Group but required by our Group for its production, including steel plates, electronic products, speed-reducing machines, motors and front and back driver axle to our Group for a term of one year commencing from 1 January 2009 to 31 December 2009.

The price for the raw materials supplied by our Group to the SG Group, and by the SG Group to our Group will be determined on the following basis in order of priority:

- the price prescribed by the State (including any price prescribed by any relevant local authorities), if applicable;
- the price recommended under the State pricing guidelines, when no State-prescribed price is available;
- the market price, when neither the State-prescribed price nor the State recommended price is available; or
- the price which is no less favourable to our Group than is available from independent third parties, when none of the above is available or applicable.

For the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, the amounts that our Group paid to the SG Group for the supply of raw materials were approximately RMB807,000, RMB5,250,000, RMB3,118,000 and RMB3,106,000, respectively.

There were no historical transactions in respect of the supply of raw materials from our Group to the SG Group prior to 1 July 2009.

Apart from the SG Group, our Group is able to source raw materials from other alternative suppliers. Our Group intends to source raw materials from other independent third party suppliers in the future. Our Directors believe that since there are alternative suppliers of such raw materials available in the market, our Group is able to operate independently of the SG Group in this regard.

Our Directors estimate that the maximum amount of annual purchases by our Group from the SG Group under the Mutual Supply Agreement for the year ending 31 December 2009 will not exceed RMB13,910,000. Such estimate is based on the historical transaction values between our Group and the SG Group, the demand and supply of our Group's products and production expansion plans and the prevailing market rates to such raw materials.

Our Directors estimate that our annual revenue in respect of the raw materials supplied by our Group to the SG Group under the Mutual Supply Agreement for the year ending 31 December 2009 will not exceed RMB4,640,000. Such estimate is based on the historical transaction values between our Group and the SG Group, the anticipated increase in demand of raw materials by the SG Group based on the annual purchases of raw materials by the SG Group from our Group in the previous years, and the prevailing market rates to such raw materials.

Sany Group is owned as to 58.24% by Mr. Liang Wengen, one of our Controlling Shareholders, and is therefore a connected person of our Company under the Listing Rules.

Our Directors believe that the source of raw materials from the SG Group would benefit our Group for the following reasons:

(i) the purchases from the SG Group will be at competitive prices not less favourable than those that our Group can obtain from independent third parties;

(ii) the SG Group is a reliable source of raw materials and to source raw materials from the SG Group can ensure sufficient supply of raw materials (by giving priority to orders from our Group) as well as assurance on the quality of raw materials to be supplied by the SG Group to support our Group's production needs;

(iii) our Group can enjoy the convenience of sourcing a variety of raw materials in sufficient amount from the SG Group instead of having to source from a wide range of different suppliers in the market in order to meet its volume, product variety and quality needs;

(iv) the close vicinity of the warehouse of the SG Group would relatively shorten the delivery time, and increase the effectiveness of inventory control of our Group as our Group is able to shorten the storage time and provide less storage areas for raw materials, which in turn would reduce storage costs for raw materials; and

(v) the SG Group has provided a platform for us to achieve the benefits of bulk purchase of raw materials, such as favourable prices [and credit terms] and thereby minimising the management and operational costs of our Group.

Our Directors believe that the entering into of the Mutual Supply Agreement would also benefit our Group as by supplying the raw materials which are expected to be not required by our Group to the SG Group, it would enable our Group to reduce its inventory level of raw materials.

The Mutual Supply Agreement is a framework agreement which provides the mechanism for the operation of the connected transactions described therein. It is envisaged that from time to time and as required, individual agreements may be required to be entered into between members of our Group and relevant members of the SG Group. Any individual agreements to be entered into with Sany Heavy Industry and its subsidiaries, where applicable, is subject to the shareholders' approval of Sany Heavy Industry as required by the listing rules of Shanghai Stock Exchange.

Each individual agreement will set out the specific terms and conditions for the mutual supply of the raw materials in accordance with the terms and conditions of the Mutual Supply Agreement. As the individual agreements are simply further elaboration on the supply of raw materials as contemplated by the Mutual Supply Agreement, they do not constitute new categories of connected transactions as far as Listing Rules are concerned.

Since each of the percentage ratios (other than the profit ratios) for the Mutual Supply Agreement is expected to be less than 2.5%, the transactions under the Mutual Supply Agreement constitute continuing connected transactions for our Company which are subject to the reporting and announcement requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

(C) Continuing connected transactions which are exempt from the reporting, announcement and independent shareholders' approval requirements

6. *Lease Agreement with Hunan Sany Repair*

On 5 November 2009, Hunan Sany Repair Services Co., Ltd. ("**Hunan Sany Repair**") entered into a property lease agreement with Sany Transportation, pursuant to which Hunan Sany Repair agreed to lease from Sany Transportation premises of a total gross floor area of 1,134.42 square meters situated at No. 31 Yansaihu, Shenyang Economic and Technological Development Area for use as repair and maintenance centre for a term of two years commencing from 1 January 2009 to 31 December 2010 at an annual rental of not exceeding RMB219,000 for the two years ending 31 December 2010.

Hunan Sany Repair is a wholly-owned subsidiary of Sany Heavy Industry, a company owned as to 60.73% by Sany Group, an associate of our Controlling Shareholders, and is therefore a connected person of our Company under the Listing Rules.

The rental received from Hunan Sany Repair under the Leasing Agreement was determined on an arm's length basis and reflected the prevailing market rent at that time. The Lease Agreement was entered into on normal commercial terms. The rental payable under the Lease Agreement is to be reviewed every two years, taking into account the market conditions and the prevailing market rent at the relevant time and no less favourable than that offered to independent third parties.

Jones Lang LaSalle Sallmanns Limited, the independent property valuer to our Company, has reviewed the rental payable pursuant to the Lease Agreement and confirmed that the terms of the Lease Agreement reflect the prevailing market condition in China and that the rental payable by Hunan Sany Repair to Sany Transportation reflects the prevailing market rates of comparable properties and is fair and reasonable.

Since each of the percentage ratios (other than the profits ratio) for the Lease Agreement is less than 0.1%, the transactions under the Lease Agreement are exempted from the reporting, announcement and independent shareholders' approval requirements applicable under Chapter 14A of the Listing Rules as it falls within the de minimus threshold under Rule 14A.33 of the Listing Rules.

Waivers

The transactions described in paragraphs (1) to (4) above constitute non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules. The applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules and calculated with reference to the proposed annual caps each year shown above are more than 2.5%. As such, the non-exempt continuing connected transactions in paragraphs (1) to (4) above would require full reporting, announcement and the independent shareholders' approval. The transactions described in paragraph (5) above constitute continuing connected transactions under Rule 14A.34 of the Listing Rules and calculated with reference to the prepared annual cap for the year ending 31 December 2009 shown above is less than 2.5%. As such, the continuing connected transactions in paragraph (5) above would require full reporting and announcement but exempt from the independent shareholders' approval.

Our Directors, including the independent non-executive Directors, consider that all the continuing connected transactions in paragraphs (1) to (6) are conducted on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole and are in the ordinary and usual course of our business. Our Directors, including the independent non-executive Directors, are also of the view that the annual caps of all of the non-exempted continuing connected transactions in paragraphs (1) to (5) above are fair and reasonable. We have applied for, and the Stock Exchange has granted us, waivers from strict compliance with the announcement and (where applicable) independent shareholders' approval requirements of the Listing Rules in respect of each of these transactions subject to the aggregate value of each of these non-exempt continuing connected transactions for each financial year not exceeding the relevant annual cap amount set forth in the respective caps stated above.

Directors view

The Directors are of the view that the continuing connected transactions as described in paragraphs (1) to (5) and the corresponding annual caps described above have been entered into and will be entered into in our ordinary and usual course of business and on normal commercial terms, are fair and reasonable and are in the interests of our Shareholders as a whole.